REMARKS

Claims 1-30 are pending the present application. No claim amendments have been made herein.

REJECTION OF CLAIMS 1-30 UNDER 35 U.S.C. § 103(A)

Claims 1-30 are rejected under 35 U.S.C. § 103(a) as being unpatentable over Marlowe-Noren (U.S. Patent Application No. 2004/0193536) ("Marlowe") in view of Ritchken. This rejection is respectfully traversed.

The Pending Claims Do Not Recite "Two Other Instruments"

On page 2 of the Office Action, the Examiner asserts that Marlowe "teaches the step of issuing a hybrid security comprising issuing a convertible security and two other instruments related to the convertible security." However, claims 1, 12, and 28 do not recite a convertible security with any "two other instruments." Instead, claim 1, for example, recites a convertible security along with a "first call option" and a "second call option." Thus, the term "two other instruments" is not germane to the Examiner's *prima facie* case because it does not appear anywhere in the claim.

Moreover, Marlowe does not even recite "two other instruments." Marlowe recites a first and second letter of credit, but does not broadly recite "instruments." Accordingly, Marlowe does not teach or suggest a "first call option" and a "second call option" in conjunction with a "convertible security."

The Examiner does not assert that Ritchken cures this deficiency and, in fact, Ritchken does not recite such a combination. Thus, Marlowe and Ritchken, alone or in combination, do not teach or suggest "a convertible security" along with a "first call option" and a "second call option."

No Teaching of a Call Option with a Benefit Related to a Convertible Security

Furthermore, on pages 2-3 of the Office Action, the Examiner recognizes that "Marlowe-Noren does not explicitly teach the feature of a call spread with the counterparty, comprising the steps of: buying from the counterparty a first call option having a second potential financial benefit the same as the first potential financial benefit;

and selling to the counterparty a second call option with a higher strike price than the first call option that when exercised provides a third potential financial benefit different from the second potential financial benefit." Ritchken fails to cure the deficiencies of Marlowe because Ritchken does not teach or suggest "a first call option having a second potential financial benefit the same as the first potential financial benefit," wherein the first potential financial benefit is provided by a convertible security. Because Ritchken does not teach or suggest a convertible security, Ritchken necessarily cannot teach or suggest a "first potential financial benefit." As a result, Ritchken cannot teach or suggest "a first call option having a second potential financial benefit the same as the first potential financial benefit."

Neither Marlowe nor Ritchken, alone or in combination, teach or suggest "having a second potential financial benefit the same as the first potential financial benefit," as recited in claim 1 and similarly recited in claims 12 and 28. The Examiner acknowledges, on page 3 of the Office Action, that Marlowe does not teach or suggest "having a second potential financial benefit the same as the first potential financial benefit." Ritchken fails to cure the deficiencies of Marlowe because Ritchken does not teach or suggest any relationship between a spread and a financial instrument (such as a convertible security). Claim 1, and similarly claims 12 and 28, recites that the second potential financial benefit offered by the first call option be the same as the first potential financial benefit providing by the convertible security. Even assuming that the spread described by Ritchken is equivalent to the call options described in these claims, Ritchken necessarily fails to teach or suggest a second potential financial benefit the same as the first potential financial benefit, as recited in claim 1 and similarly in claims 12 and 28.

Hence, neither Marlowe nor Ritchken, alone or in combination, teach or suggest each and every element of claims 1, 12, and 28. Since claims 2-11, 13-27, 29, and 30 are dependent on allowable independent claims 1, 12, and 28, dependent claims 2-11, 13-27, 29, and 30 are allowable as well. Therefore, the Examiner has not established a *prima facie* case of obviousness with respect to claims 1-30 of the present application.

For at least these reasons, independent claims 1, 12, and 28, as well as dependent claims 2-11, 13-27, 29, and 30, are patentable over the cited art. It is respectfully submitted that the rejection of claims 1-30 under 35 U.S.C. § 103(a) be withdrawn.

Combining the References Does Not Produce the Same Method as the Claims

There is no evidence, from one of ordinary skill or from the references themselves, to support the Examiner's assertion that a combination of the cited references would meet the claimed structure. The mere combination of well-known features (call options and a convertible security) does not negate patentability. *Lindemann Maschinenfabrik GmbH v. American Hoist & Derrick Co.*, 730 F.2d 1452 (Fed. Cir. 1984) (citation omitted) ("That the claimed invention may employ known principles does not itself establish that the invention would have been obvious."). Here, the disclosures of Marlowe and Ritchken do not teach or suggest the financial transaction claimed in the present application, regardless of whether Marlowe and Ritchken can recite individual elements of the claims.

Even if the Examiner's combination of Marlowe and Ritchken is proper, the combined teachings of Marlowe and Ritchken do not teach or suggest "a first call option having a second potential financial benefit the same as the first potential financial benefit," where the first potential financial benefit is provided by a convertible security. As one example of a benefit of this result, which is not been recited by either Marlowe or Ritchken, the originally-filed specification recites:

> Hence, the ICON product according to embodiments of the present invention can be structured to achieve favorable tax treatment under the current U.S. tax codes for the issuer while preserving separate accounting for the convertible security and the call spread. *Particularly, the issuer can identify the "mirror" lower-strike call option and the convertible security as a single integrated transaction for tax purposes.* For instance, the cash flows on the purchased lower-strike call option can be designed to match the cash flows on the convertible so that the issuer can be treated as having issued a fixed rate debt instrument security with an original issue discount (OID) equal to the amount of the premium for the lower-strike call option. As a result, the OID is deductible as an additional interest expense amortized on a constant yield to maturity basis of the life of the convertible security. Yet, for accounting purposes, the book-interest expense can be limited to the coupon on the convertible security. Furthermore, as mentioned earlier, the features of the written (higher-

> strike) call option can be designed to be non-matching with those of the purchased (lower-strike) call option. This allows for separate, non-integrated tax treatment form the integrated transaction to thereby preserve the full deductibility of the OOID on the integrated transaction.

Page 6, line 18 - page 7, line 10 (emphasis added). The undersigned representative recognizes that although tax benefits are commonly desired, Marlowe and Ritchken do not discuss such benefits nor suggest that such a combination would result in such benefits, especially since those benefits are not available in the teachings of Marlowe or Ritchken alone. Although the Examiner asserts that Marlowe and Ritchken are "concerned with providing a hybrid financial instrument to the user," the benefits of the claimed methods are not appreciated or taught by Marlowe or Ritchken.

The Obviousness Rejection is Based Upon Impermissible Hindsight

The Examiner's conclusion of obviousness based upon a combination of Marlowe and Ritchken is based upon impermissible hindsight. The Examiner's assertion of knowledge of one of ordinary skill in the art has been gleaned from the claims and the specification of the present application, rather than one of ordinary skill at the time of the invention. *See ACS Hosp. Sys., Inc. v. Montefiore Hosp.*, 732 F.2d 1572 (Fed. Cir. 1984). The Examiner has failed to set forth any evidence supporting his assertions. On page 3 of the Office Action, for example, the Examiner asserts that the "combination of disclosures suggests that holders would have benefited from exercising the option without extinguishing the underlying convertible instrument." But the combination of disclosures does not provide such a suggestion. Instead, the benefits of the claimed methods are apparent to the Examiner based only upon the pending application. Thus, the Examiner is improperly asserting this suggestion based upon the pending application's disclosure.

CONCLUSION

The undersigned representative respectfully submits that this application is in condition for allowance, and such disposition is earnestly solicited. If the Examiner believes that the prosecution might be advanced by discussing the application with the undersigned representative, in person or over the telephone, we welcome the opportunity to do so. In addition, if any additional fees are required in connection with the filling of this response, the Commissioner is hereby authorized to charge the same to Deposit Account 50-4402.

Respectfully submitted,

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